

Over the last three years, the Indian telecom industry has witnessed successful trials and the launch of 4G services by key telecom operators. However, Tikona Digital Networks, one of the service providers holding broadband wireless access spectrum in the 2300 MHz band, is still waiting for the appropriate time and maturity of the 4G ecosystem before making a foray into the space. According to Prakash Bajpai, chief executive officer, Tikona Digital Networks, “The device ecosystem in the 2300 MHz band has been evolving rapidly, driven by large-scale roll-outs planned by Chinese mobile operators and some of India’s large operators and is expected to be ready in the next three to five quarters.” Tikona holds 4G spectrum licences in five circles in northwest India, covering Gujarat, Rajasthan, Uttar Pradesh (East and West) and Himachal Pradesh. The company plans to launch long term evolution-based 4G services only after a competitive 4G ecosystem is established.



Meanwhile, Tikona continues to expand its reach and enhance the quality of its internet services. Recently, it received \$25 million in the form of equity from the International Finance Corporation (IFC). The agency has stated in its documents that Tikona’s high speed and low-tariff wireless broadband solutions can solve the problems of affordability and capacity in India’s underserved market. The company is likely to use these proceeds to expand its reach to Tier III and semi-urban markets, as well as for setting up adequate infrastructure for 4G services.

Company background

Since its inception in 2008, Tikona Digital has become one of the key next-generation broadband service providers to home and enterprise customers in India. The company has built a comprehensive framework of services to deliver voice, video, IT applications and multimedia content over any broadband or IP-centric network. It leverages 50 MHz of its unlicensed Wi-Fi spectrum to deliver its wireless broadband internet services. At present, the company offers these services through Tikona WIBRO to 25 cities in the country covering about 250,000 households and offices. To offer these services, the company has installed 12,000 IP nodes, each of which can support capacity upwards of Digital Signal 3. Tikona has also leveraged the fibre capacities of more than a dozen utilities and operators to serve as a backbone for carrying the large traffic generated on its network. Tikona WIBRO carries about 4 million GB on its network per month, which is equivalent to the internet traffic of about 12 million 3G internet users.

The company also holds the largest outdoor Wi-Fi band small-cell network worldwide, with about 40,000 installed outdoor Wi-Fi small cells. Further, Tikona Digital’s indoor service coverage through its wireless network has expanded to between 60 per cent and 70 per cent of the buildings in 10 major cities of the country.

Focus on enterprise

In a move to tap the enterprise segment, Tikona acquired HCL Infinet, the enterprise service division of HCL Infosystems, in 2012. Following the acquisition, the company renamed it Tikona Infinet and focused on providing a secure broadband network for enterprises. Currently, Tikona Infinet offers a range of pan-Indian network solutions like virtual private networks, network management services, data centre and co-location services, and value-added services like internet telephony and enterprise mailing solutions, to about 1,400 key corporate customers. The subsidiary reported a 5.9 per cent year-on-year increase in its gross revenues from Rs 173.7 million in the quarter ended March 2013 to Rs 184.1 million for the corresponding quarter of 2014.

In a bid to further fuel its expansion plans, Tikona is planning to raise capital to offer next-generation IP-centric multimedia services. In January 2014, Tikona received approval from the Foreign Investment Promotion Board to raise Rs 2.48 billion (\$41.8 million) through foreign direct investment. Tikona requested an increase in the foreign equity participation from 71 per cent to 72.58 per cent through the issue of compulsorily convertible debentures and equity shares to the existing non-resident investors. The IFC funding comes as a part of this fund-raising exercise. These expansion plans will also help provide employment to 350 professionals and create 20,000 indirect jobs in support and facilitation functions over the next five to six years.

Challenges and the way forward

One of the biggest challenges faced by Tikona is that it operates in a large and fragmented broadband market. As of December 2013, Tikona held only a 0.44 per cent share of the country’s total broadband subscribers. However, the dismal number of broadband users in the country (60.87 million as against 904.51 wireless users as of March 2014) indicates the huge untapped potential that the segment has to offer to players like Tikona. As Bajpai states, “In the four years since the launch of its services, Tikona has been able to acquire the highest revenue market share among its competitors with comparable market coverage.”

Going forward, given its focus on service expansion and 4G spectrum holding in select circles, the company is poised to rise above its competitors in delivering high quality internet services to consumers.